

**NATAKI TALIBAH  
SCHOOLHOUSE OF DETROIT  
(A MICHIGAN PUBLIC SCHOOL ACADEMY)  
AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2007**

**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
(A MICHIGAN PUBLIC SCHOOL ACADEMY)**

**TABLE OF CONTENTS**

	<u>Page No.</u>
Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	3
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements:	
Statement of Net Assets .....	9
Statement of Activities.....	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets .....	12
Statement of Revenues, Expenditures and Changes in Fund Balances .....	13
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	14
Notes to Financial Statements .....	15
Report on Compliance and Internal Control over Financial Reporting Based On an Audit of Financial Statements Performed In Accordance with Government Auditing Standards.....	26
<b>Required Supplemental Information</b>	
Budgetary Comparison Schedule – General Fund .....	28
<b>Other Supplemental Information</b>	
Non-major Governmental Funds:	
Combining Balance Sheet .....	29
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances .....	30

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Nataki Talibah Schoolhouse of Detroit  
Detroit, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nataki Talibah Schoolhouse of Detroit as of and for the year ended June 30, 2007 which collectively comprise the Public School Academy's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Nataki Talibah Schoolhouse of Detroit's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Nataki Talibah Schoolhouse of Detroit as of June 30, 2007, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedule are not a required part of the basic financial statements but are supplemental information required by the *Governmental Accounting Standards Board*. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

**Independent Auditors' Report**  
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nataki Talibah Schoolhouse of Detroit's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The other supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Governmental Auditing Standards*, we have also issued a report dated October 22, 2007 on our consideration of Nataki Talibah Schoolhouse of Detroit's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Alan C. Young; Assoc.*

October 22, 2007

**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
(A MICHIGAN PUBLIC SCHOOL ACADEMY)  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED  
JUNE 30, 2007**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Nataki Talibah Schoolhouse of Detroit (the PSA) financially as a whole. The Government-wide financial statements provide information about the activities of the whole school district, presenting both an aggregate view of the PSA's finances and a longer-term view of these finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the PSA's operations in more details than the Government-wide financial statements by providing information about the PSA's most significant fund - the General Fund, as well as the PSA's other funds.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The Government-wide financial statements provide information about the activities of the PSA as a whole, presenting a both aggregate view of the PSA finances and a long-term view of those finances. Government-wide statements are presented on a full accrual basis, which is the primary accounting method used in private industry. The Statement of Net Assets report all the PSA assets regardless if they are available for current use or legally restricted, and all of its liabilities, both short-term and long-term. The Statement of Activities reports all of the PSA revenues and expenses by type of activity.

**FUND FINANCIAL STATEMENTS**

The PSA segregates resources and activities in separate Funds, each used for a specific purpose, to facilitate accountability for those resources. The Fund financial statements provide a detailed short-term view of the operations of the PSA's various fiscal components, not a long-term view of the PSA as a whole. It provides information to the amount of financial resources that can be spent in the near future to finance programs. It also provides information about the PSA's most significant Funds – the General Fund (the PSA principal operating Fund) and Debt Service Fund, and its nonmajor Funds, which are grouped together and presented on a modified accrual basis. Only those assets that are measurable and currently available are reported. Liabilities are recognized to the extent that they can be paid using current financial resources. For further information on the attributes of the modified accrual basis and the full accrual basis of accounting, please refer to Note A – Summary of Significant Accounting Policies in the Notes to Financial Statements section of this report.

**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
(A MICHIGAN PUBLIC SCHOOL ACADEMY)  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED  
JUNE 30, 2007  
(Continued)**

**THE ACADEMY AS A WHOLE**

As discussed above, the Statement of Net Assets provides information of the PSA as a whole. Table 1 provides a summary of the PSA net assets as of June 30, 2007 and 2006.

**TABLE 1 – SUMMARY OF THE ACADEMY’S NET ASSETS**

	Governmental Activities	
	June 30	
	2007	2006
<b>Assets</b>	(In Thousands)	(In Thousands)
Current and Other Assets	\$1,245.6	\$1,308.9
Capital Assets - Net of Accumulated Depreciation	<u>3,776.3</u>	<u>3,870.6</u>
<b>Total Assets</b>	<u>5,021.9</u>	<u>5,179.5</u>
<b>Liabilities</b>		
Current Liabilities	346.3	647.1
Long-Term Liabilities - Due within One Year	85.0	80.0
Long-Term Liabilities - Due after One Year	<u>5,250.0</u>	<u>5,335.0</u>
<b>Total Liabilities</b>	<u>5,681.3</u>	<u>6,062.1</u>
<b>Net Assets</b>		
Invested in Capital Assets - Net of Related Debt	(1,558.7)	(1,544.3)
Restricted	590.4	585.0
Unrestricted	<u>308.9</u>	<u>76.7</u>
<b>Total Net Assets</b>	<u><u>(\$659.4)</u></u>	<u><u>(\$882.6)</u></u>

Net assets at year-end were (\$659.4) thousand. The PSA investment in capital assets, net of related debt was (\$1,558.7) thousand. The \$308.9 thousand in unrestricted net assets represents the cumulative operating results for the year ended June 30, 2007 and all prior years.

**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
(A MICHIGAN PUBLIC SCHOOL ACADEMY)  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED  
JUNE 30, 2007  
(Continued)**

**THE ACADEMY AS A WHOLE (Continued)**

The PSA net assets increased \$223.2 thousand during the fiscal year ended June 30, 2007 (please refer to Table 2 below). The cost to operate the PSA programs was \$3,750.0 thousand. Partially funding these programs were charges for services and grant revenue totaling \$774.4 thousand. The remaining cost of the PSA programs was funded primarily by state aid, totaling \$3,166.7 thousand.

**TABLE 2 – SUMMARY OF THE STATEMENT OF ACTIVITIES**

	Governmental Activities <u>(In Thousands)</u> <u>2007</u>	Governmental Activities <u>(In Thousands)</u> <u>2006</u>
<b>Revenues</b>		
Program Revenue:		
Grants and Fees	\$576.3	\$584.1
General Revenue:		
State Foundation	3,025.0	3,149.2
Other Income	<u>372.0</u>	<u>24.5</u>
<b>Total Revenues</b>	<u>3,973.3</u>	<u>3,757.8</u>
<b>Function/Program Expenses</b>		
Instruction	1,509.4	1,531.0
Supporting Services	<u>2,240.6</u>	<u>2,550.6</u>
<b>Total Expenses</b>	<u>3,750.0</u>	<u>4,081.6</u>
<b>Increase in Net Assets</b>	<u><u>\$223.3</u></u>	<u><u>(\$323.8)</u></u>

**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
(A MICHIGAN PUBLIC SCHOOL ACADEMY)  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED  
JUNE 30, 2007  
(Continued)**

**CAPITAL ASSETS**

At June 30, 2007, the PSA had an investment in capital assets, net of accumulated depreciation, of \$3,776.3 thousand (please refer to Table 3 below). This includes land, buildings, improvements, buses, vehicles, furniture, and equipment.

**TABLE 3 – CAPITAL ASSETS (IN THOUSAND DOLLARS)**

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Land	\$404.0	\$403.9
Equipment & Furniture	573.0	507.2
Buildings and Additions	4,179.3	4,171.7
School Bus	<u>44.6</u>	<u>44.6</u>
<b>Total Capital Assets</b>	5,200.9	5,127.4
Less Accumulated Depreciation	<u>(1,424.6)</u>	<u>(1,256.8)</u>
<b>Net Capital Assets</b>	<u><u>\$3,776.3</u></u>	<u><u>\$3,870.6</u></u>

**DEBT**

At June 2007, the PSA had \$5,335.0 thousand in long-term debt, compared to \$5,415.0 thousand at June 30, 2006 (please refer to Table 4). Additional information about the PSA long-term debt is presented in the Notes to Financial Statements.

**TABLE 4 – OUTSTANDING LONG-TERM DEBT (IN THOUSANDS OF DOLLARS)**

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Certificate of Particitating - Series 2000	<u><u>\$5,335.0</u></u>	<u><u>\$5,415.0</u></u>

The principal amount maturing on this debt during the year 2007 was in the amount of \$80 thousand dollars.



**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
(A MICHIGAN PUBLIC SCHOOL ACADEMY)  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED  
JUNE 30, 2007  
(Continued)**

**THE ACADEMY'S FUNDS**

As mentioned above, the PSA uses funds to segregate and account for resources and activities that are used for specific purposes. At June 30, 2007 the PSA governmental funds had a combined fund balance of \$936.0 thousand, an increase of \$237.1 thousand from June 30, 2006.

**GENERAL FUND**

The ending fund balance of the General Fund, the principal operating Fund of the PSA, increased \$239.5 thousand to \$240.7 thousand at June 30, 2007, up from \$1.2 thousand at June 30, 2006.

**DEBT SERVICE FUND**

The fund balance of the Debt Service Fund increased \$5.4 thousand during the fiscal year 2007 to \$590.4 thousand at June 30, 2007. The fund balance of the Debt Service is restricted and can only be used to pay interest, principal, and fees on long-term debt.

**OTHER GOVERNMENTAL FUNDS**

The PSA non-major funds (Athletics, Bookstore, School Lunch, After-School and Capital Projects) are grouped and presented in this category. At June 30, 2007, their combined fund equity balance was \$104.9 thousand.

**GENERAL FUND BUDGET HIGHLIGHTS**

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided on page 28 in required supplemental information of these financial statements.

**ECONOMIC FACTORS AFFECTING NEXT YEAR'S BUDGETS**

The PSA administration and Board of Directors (the "Board") consider many factors in the budget process. One of the most important factors affecting the budget is student enrollment. Nearly 80% of the School District's revenue is derived from the State of Michigan's student enrollment based funding formula. The formula to allocate revenue to school districts is based on the blending of two official's pupil counts and a per-pupil funding allocation (called the "Foundation Allowance"). The blended count for the fiscal year 2007 is based on 25 percent of the February 2006 count plus 75 percent of the September 2006 count. The sum of these products is multiplied by the current Foundation Allowance of \$7,385. Due to difficult economic conditions in the State of Michigan, the Foundation Allowance is scheduled to remain flat for fiscal year 2008.

**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
(A MICHIGAN PUBLIC SCHOOL ACADEMY)  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED  
JUNE 30, 2007  
(Continued)**

**ECONOMIC FACTORS AFFECTING NEXT YEAR'S BUDGETS (Continued)**

The 2008 budget was adopted in June 2007 based on an estimate of the number of students that will be enrolled in September 2007. Based on the September 2007 preliminary (unofficial) student count, it appears that the September student count will be above the estimated count used in the original 2008 budget adopted by the Board. Administration and the Board will need to implement a plan to adjust expenses and amend the budget accordingly.

Under State law, the PSA cannot assess property taxes to fund general operations. As a result, the PSA revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The state periodically holds a revenue estimating conference to forecast revenues.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the districts finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office (313) 531-3720 located at 19176 Northrop, Detroit, Michigan 48219.

**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
(A MICHIGAN PUBLIC SCHOOL ACADEMY)  
STATEMENT OF NET ASSETS  
JUNE 30, 2007**

<b>Assets</b>	<b>Governmental Activities</b>
Cash and Cash Equivalents	\$622,033
Due from Other Governmental Units	574,651
Other Receivables	44,453
Prepaid Expenses	4,501
Capital Assets, Net of Accumulated Depreciation	<u>3,776,288</u>
<b>Total Assets</b>	<b><u><u>\$5,021,926</u></u></b>
<b>Liabilities</b>	
Accounts Payable	\$218,784
Management Fee Payable	47,436
Oversight Fee Payable	16,576
Accrued Interest Payable	36,678
Other Accrued Liabilities	1,964
Notes Payable	24,861
Long-Term Liabilities:	
Due within One Year	85,000
Due in more than One Year	<u>5,250,000</u>
<b>Total Liabilities</b>	<b><u><u>5,681,299</u></u></b>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	(1,558,712)
Restricted for	
Debt Service	590,439
Unrestricted	<u>308,900</u>
<b>Total Net Assets (Deficit)</b>	<b><u><u>(\$659,373)</u></u></b>

*See accompanying notes to financial statements.*

**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
(A MICHIGAN PUBLIC SCHOOL ACADEMY)  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**

<u>Functional/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Operating Grants and Fees</u>	<u>Net (Expenses) and Changes in Net Assets</u>
<b>Governmental Activities</b>			
Instruction	\$1,499,662	\$307,222	(\$1,192,440)
Special Needs	9,772	10,385	613
<b>Supporting Services:</b>			
Pupil Support Services	85,307	73,155	(12,152)
Instructional Staff Services	177,097	1,155	(175,942)
General Administration Services	304,603	0	(304,603)
Executive Administration	352,393	0	(352,393)
Business Services	117,432	0	(117,432)
Operations & Maintenance	257,590	0	(257,590)
Pupil Transportation	37,259	0	(37,259)
Athletic Program	2,761	1,630	(1,131)
School Lunch Program	133,238	82,564	(50,674)
After-School Program	158,994	100,189	(58,805)
Interest on Long Term Debt	446,188	0	(446,188)
Depreciation - Unallocated	167,730	0	(167,730)
<b>Total Governmental Activities</b>	<u>\$3,750,026</u>	<u>\$576,300</u>	<u>(3,173,726)</u>
<b>General Revenues:</b>			
State Aid - Formula Grants			3,024,994
Investment Earnings			31,763
Other Revenue			340,217
<b>Total General Revenues</b>			<u>3,396,974</u>
Change in Net Assets			223,248
Net Assets- July 1, 2006			<u>(882,621)</u>
<b>Net Assets - June 30, 2007</b>			<u><u>(\$659,373)</u></u>

*See accompanying notes to financial statements.*

**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
(A MICHIGAN PUBLIC SCHOOL ACADEMY)  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Other Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash and Cash Equivalents	\$13,420	\$590,439	\$18,174	\$622,033
Other Receivables	44,453	0	0	44,453
Prepaid Expenses	4,501	0	0	4,501
Due from Other Funds	0	0	120,825	120,825
Due from Other Governmental Units	574,651	0	0	574,651
<b>Total Assets</b>	<b>\$637,025</b>	<b>\$590,439</b>	<b>\$138,999</b>	<b>\$1,366,463</b>
<b>Liabilities</b>				
Accounts Payable	184,671	0	34,113	218,784
Accrued Expenditures	1,964	0	0	1,964
Management Fee Payable	47,436	0	0	47,436
Oversight Fee Payable	16,576	0	0	16,576
Notes Payable	24,861	0	0	24,861
Due to Other Funds	120,825	0	0	120,825
<b>Total Liabilities</b>	<b>396,333</b>	<b>0</b>	<b>34,113</b>	<b>430,446</b>
<b>Fund Balance</b>				
Unreserved	240,692	0	0	240,692
Designated for Debt Service	0	590,439	0	590,439
Designated for Future Obligations	0	0	104,886	104,886
<b>Total Fund Balances</b>	<b>240,692</b>	<b>590,439</b>	<b>104,886</b>	<b>936,017</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$637,025</b>	<b>\$590,439</b>	<b>\$138,999</b>	<b>\$1,366,463</b>

*See accompanying notes to financial statements.*

**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
(A MICHIGAN PUBLIC SCHOOL ACADEMY)  
RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUNDS BALANCE  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007**

<b>Total Fund Balances - Governmental Funds</b>	<b>\$936,017</b>
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Amounts Reported for Governmental Activities in the Statement of Net Assets  
are Different because:

Capital Assets used in Governmental Activities are not  
Financial Resources and, therefore, not Reported as  
Assets in Governmental Funds.

	5,200,902	
Cost of Capital Assets		
Accumulated Depreciation	(1,424,614)	3,776,288

Long Term Liabilities not Due and Payable in the Current Period and not Reported in the Funds	(5,335,000)
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Accrued Interest Payable is not included as a Liability in Governmental Funds	(36,678)
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<b>Total Net Assets - Governmental Activities</b>	<b>(\$659,373)</b>
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*See accompanying notes to financial statements.*

**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
(A MICHIGAN PUBLIC SCHOOL ACADEMY)  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2007**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Other Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>				
Local Sources	\$490,518	\$31,240	\$121,267	\$643,025
State Sources	3,177,084	0	0	3,177,084
Federal Sources	89,088	0	64,077	153,165
<b>Total Revenue</b>	<u>3,756,690</u>	<u>31,240</u>	<u>185,344</u>	<u>3,973,274</u>
<b>Expenditures:</b>				
Instruction: Basic Programs	1,500,828	0	0	1,500,828
Added Needs	9,772	0	0	9,772
<b>Total Instruction</b>	<u>1,510,600</u>	<u>0</u>	<u>0</u>	<u>1,510,600</u>
<b>Support Services:</b>				
Pupil Support	85,307	0	0	85,307
Instructional Support - Technology	223,967	0	0	223,967
Board of Education	53,461	0	0	53,461
Executive Administration	352,393	0	0	352,393
Office of the Principal	253,012	0	0	253,012
Other Business Services	117,432	0	0	117,432
Operation and Maintenance	281,032	0	0	281,032
Pupil Transportation Services	37,259	0	0	37,259
Athletic Program	0	0	2,761	2,761
School Lunch Program	0	0	133,238	133,238
After-School Program	0	0	158,995	158,995
<b>Debt Service:</b>				
Principal	0	80,000	0	80,000
Interest	0	446,738	0	446,738
<b>Total Support Services</b>	<u>1,403,863</u>	<u>526,738</u>	<u>294,994</u>	<u>2,225,595</u>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	842,227	(495,498)	(109,650)	237,079
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	500,898	101,872	602,770
Transfers Out	(602,770)	0	0	(602,770)
<b>Net Change in Fund Balance</b>	<u>239,457</u>	<u>5,400</u>	<u>(7,778)</u>	<u>237,079</u>
<b>Fund Balance - July 1, 2006</b>	<u>1,235</u>	<u>585,039</u>	<u>112,664</u>	<u>698,938</u>
<b>Fund Balance - June 30, 2007</b>	<u><u>\$240,692</u></u>	<u><u>\$590,439</u></u>	<u><u>\$104,886</u></u>	<u><u>\$936,017</u></u>

*See accompanying notes to financial statements.*

**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES WITH  
THE DISTRICT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**

<b>Total Net Change in Fund Balances- Governmental Funds</b>	<b>\$237,079</b>
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Amounts Reported for Governmental Activities in the Statement of Activities are Different because:

Capital Outlays to Purchase or Build Capital Assets are Reported in Governmental Funds and Expenditures. However, for Governmental Activities those costs are shown in the Statement and Allocated over their Estimated useful lives as Annual Depreciation Expenses in the Statement of Activities. This is the Amount by which Depreciation exceeds Capital Outlays in the Period:

Bond Repayment	80,000
Depreciation Expense	(167,730)
Capitalized Capital Outlay	73,349

Accrued Interest is Recorded in the Statement of Activities when incurred; it is not Recorded in Governmental Funds until Paid

550

**Change in Net Assets of Governmental Activities**

**\$223,248**

*See accompanying notes to financial statements.*



**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
(A MICHIGAN PUBLIC SCHOOL ACADEMY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Equity**

Nataki Talibah Schoolhouse of Detroit (the "Academy") is a Michigan public school academy that provides instructional and support services to students in grades K-7. The Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy is located in the City of Detroit.

The Academy initially entered into a five-year contract with Central Michigan University to charter a public school academy on August 29, 1995. The charter contract was renewed in August 2000. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. The Academy is organized and administered by a Board of Directors in compliance with the School Code provisions.

**Management Agreement**

The Board of Directors voted to approve a management agreement with Nataki Talibah Schoolhouse Management Co. (NTS) (A Michigan Non-Profit Corporation), for the management and operation of Nataki Talibah Schoolhouse of Detroit effective April 1, 2004, and shall cover 3.5 academic years ending June 30, 2007. Compensation for these services are 3% of net revenues received by the Academy from the date of execution of the management agreement until June 30, 2005. Thereafter, fees are increased to 8.5% of the net revenues each fiscal year during the term of the agreement. NTS is responsible and accountable to the Board of Directors of Nataki Talibah Schoolhouse of Detroit, for the administration, operation and performance of the academy.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government. No interfund activities are included in these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Nataki Talibah Schoolhouse of Detroit does not have any such business-type activities during the current audit period. All Nataki Talibah Schoolhouse of Detroit's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational requirements of a particular function. Taxes and other items not properly included among program revenue are reported instead as general revenue.

**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
(A MICHIGAN PUBLIC SCHOOL ACADEMY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2007  
(Continued)**

**Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**Government -Wide Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The effect of inter-fund activity has been substantially eliminated from the government-wide statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenue. Likewise, general revenue includes all unrestricted State Aid.

**Fund-Based Statements.**

Governmental fund financial statements of Nataki Talibah Schoolhouse of Detroit are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law.

**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
(A MICHIGAN PUBLIC SCHOOL ACADEMY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2007  
(Continued)**

**Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund-Based Statements.**(Continued)

The Academy also receives revenue from the State to administer certain categorical educational programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received which are not expected to be expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**Fund Types**

The accounts of the Academy are organized on the basis of funds, each of which is considered a separate accounting entity as required by the *Michigan School Accounting Manual, revised* (Bulletin 1022). The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities and fund balances, revenues and expenditures. Fund accounting is designed to demonstrate legal compliance and aid management by segregating transactions related to certain governmental functions or activities.

The Academy's funds are categorized and described as follows:

***Governmental Funds*** - The acquisition and use of available spendable resources during the year and balances of the Academy's available spendable financial resources at the end of the year are measured in Governmental Funds. The Academy's Governmental Funds consist of the following:

***General Fund*** - The General Fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Its revenues are derived primarily from state appropriations. General operation expenditures and capital improvement costs that are not paid through other funds are paid from the General Fund.

***Special Revenue Funds*** - The Special Revenue Funds are used to account for the food service program operations, the after-school program, and other student programs. These funds are used to account for the proceeds of specific revenue sources that are restricted for specified purposes.

***Debt Service Fund*** - The Debt Service Fund is used to record tax, interest, other revenue for payment of interest, principal, and other expenditures on general long term debt.

***Capital Projects Fund*** - The Capital Project Fund accounts for receipt and disbursement of monies used for acquisition or construction of general fixed assets.

**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
(A MICHIGAN PUBLIC SCHOOL ACADEMY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2007  
(Continued)**

**Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities, and Net Assets**

**Cash and Cash Equivalents, and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date of twelve months or less when acquired.

Nataki Schoolhouse of Detroit believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, Nataki Schoolhouse of Detroit evaluates each financial institution it deposits school funds with and assess the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Nataki Schoolhouse of Detroit is authorized by Michigan Compiled Laws, Section 129.91 to invest surplus monies in federally insured United States banks, credit unions, and savings and loan associations that have offices in Michigan.

**Receivables - MDE**

Receivables are shown net of any allowance for uncollectible accounts. Nataki Talibah Schoolhouse of Detroit shows receivables due from the Michigan Department of Education (MDE) for the months of July and August 2007 in the amount of \$574,651, which were subsequently collected.

**Capital Assets**

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. The Academy's capital assets consist of furniture and equipment, including computers and related accessories. Capital assets are defined by the Academy as assets with an initial individual cost of \$1,000 or more and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend the asset life are not capitalized.

Furniture & Equipment capital assets are depreciated using the straight-line method over five to 39 years.

**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
(A MICHIGAN PUBLIC SCHOOL ACADEMY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2007  
(Continued)**

**Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities, and Net Assets (Continued)**

**Fund Balance**

In the Fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation, or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data**

Comparative data is not included in the School District's financial statements.

**Use of Estimates**

The presentation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statement, and the reported revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Budgetary Data**

The Academy is legally subject to the budgetary control requirements of the state of Michigan P.A.621 of 1978 (The Uniform Budgetary Act). The following is a summary of the requirements of the Act:

1. Budgets must be adopted for the General Fund, Special Revenue Funds, and Debt Service Funds.
2. The budgets must be balanced.
3. The budgets must be amended when necessary.
4. Public Hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
(A MICHIGAN PUBLIC SCHOOL ACADEMY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2007  
(Continued)**

**Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budgetary Data (Continued)**

The following segments of the budget were over expended by the amounts stated below. In all cases adequate fund balance was available to cover these expenditures.

<u>General Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Instructional	1,365,006	1,500,828	(135,822)
Improvement of Instruction	104,439	149,226	(44,827)
Instructional Support - Technoogy	42,000	74,701	(32,701)
Board of Education	30,500	53,461	(22,961)
Fiscal Services	48,780	72,192	(23,412)
Internal Service	37,000	38,591	(1,591)

In the Required Supplemental Information portion of the financial statements, the Academy's actual revenues and expenditures are compared to the budgeted revenues and expenditures.

**NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The Academy formally adopted a General Fund budget by function for the fiscal year ended June 30, 2007. Expenditures in excess of amounts budgeted are a violation of Michigan Law. State law permits districts to amend their budgets during the year. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated honored during the subsequent year.

**NOTE C - DEPOSITS AND INVESTMENTS**

State statues, (Michigan Public Act 132 of 1986) authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investments pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated Fifth Third, Comerica Bank and U.S. Bank for the deposits of its funds.

**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
(A MICHIGAN PUBLIC SCHOOL ACADEMY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2007  
(Continued)**

**NOTE C - DEPOSITS AND INVESTMENTS (Continued)**

The Academy's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk and Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for its deposits.

As of June 30, 2007 the academy does not have any funds on deposit above the FDIC insurance level. Even so, the Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Academy evaluates each financial institution it deposits funds with and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk are used as depositories. At year end, the Academy's deposit balance of \$612,605 had \$501,713 that was not covered by federal depository insurance.

Custodial credit risk is the risk that, in the event of the future of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Academy does not have investments with custodial credit risk.

**NOTE D - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**

**Plan Description** - The Academy participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

**Funding Policy** - Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
(A MICHIGAN PUBLIC SCHOOL ACADEMY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2007  
(Continued)**

**NOTE D - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS  
(Continued)**

**Funding Policy** – (Continued) - The pension benefit rate totalled 16.34 percent for the period July 1, 2006 through September 30, 2006 and 17.74 percent for the period October 1, 2006 through June 30, 2007 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The Academy's contributions to the MPSERS plan for the years ended June 30, 2007, 2006 and 2005 were \$14,305, \$32,106, and \$52,496 respectively.

**Postemployment Benefits** – Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post employment health care benefits are included as part of the total contribution to the MPSERS plan discussed

**NOTE E - OVERSIGHT FEES**

The Central Michigan University Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the charter contract and all applicable laws. The Academy pays the Board of Trustees three-percent of state aid as administrative fees. Total administrative fees paid during the year ended June 30, 2007 were \$91,139.

**NOTE F- LOAN PAYABLE – FIFTH THIRD**

The Academy has an outstanding loan as of June 30, 2007 collateralized by the State Aid Assignment. This loan was paid in full as of July 2007.

Fifth Third Bank at a prime-floating interest rate,  
which is due July 2007 \$24,861

**NOTE G- RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims, if any, relating to the commercial insurance have not exceeded the amount of insurance coverage since inception.



**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
(A MICHIGAN PUBLIC SCHOOL ACADEMY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2007  
(Continued)**

**NOTE H – GENERAL FIXED ASSETS**

For the year ended June 30, 2007, the changes in the general fixed assets are as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Land	\$403,980	\$0	\$0	\$403,980
Equipment and Furniture	507,234	65,749	0	572,983
Buildings and Additions	4,171,696	7,600	0	4,179,296
School Bus	44,643	0	0	44,643
<b>Total Capital Assets</b>	5,127,553	73,349	0	5,200,902
Less Accumulated Depreciation	(1,256,884)	(167,730)	0	(1,424,614)
<b>Net Capital Assets</b>	<u>\$3,870,669</u>	<u>(\$94,381)</u>	<u>\$0</u>	<u>\$3,776,288</u>

**NOTE I – LEASE COMMITMENTS**

The Academy has entered into a long-term operating lease for copiers. Management expects that, when the lease expires, they will be renewed or replace with another lease agreement. At June 30, 2007, the minimum rental commitments under the lease are as follows:

<u>Fiscal Year Ending</u>	<u>Lease Commitments</u>
2008	30,708
2009	30,708
2010	30,708
2011	<u>23,031</u>
<b>Total</b>	<u><u>115,155</u></u>

**NOTE J – DEBT SERVICE**

**Certificates of Participation**

Full term Certificates of Participation, Series 2000 (the "Certificates"), in the aggregate principal amount of \$5,665,000 were executed and delivered pursuant to a Trust Agreement dated June 1, 2000 by the Trustee and joined by Nataki Talibah Schoolhouse of Detroit. The Academy made purchase payments pursuant to an Installment Purchase Agreement dated June 1, 2000 by and between the Academy and a Michigan nonprofit corporation, as seller. The Academy was authorized to acquire property by installment purchase agreements pursuant to Act 451, Public Acts of Michigan, 1976, as amended. Proceeds received from the sale of the Certificates were used to finance the acquisition of certain real property, construction and improvement of the property, to fund a debt service reserve fund, to pay capitalized interest with respect to the Certificates through December 1, 2001, and to pay costs of issuance of the Certificates. Title to the property and the improvements will be vested in the Academy upon payment in full of all purchase payments.

**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
(A MICHIGAN PUBLIC SCHOOL ACADEMY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2007  
(Continued)**

**NOTE J – DEBT SERVICE (Continued)**

**Certificates of Participation (Continued)**

The Certificates are secured by an assignment made by the Academy in the Installment Purchase Agreement of twenty percent (20%) of the annual state school aid allocated to and received by the Academy from the State. The assigned state aid revenues will be paid directly to the Trustee beginning June 1, 2000 through June 1, 2030.

The Certificates bear interest at a rate of 8.25% over a period of 30 years. The interest is payable semi-annually on June 1 and December 1 of each year, to the date of maturity, commencing on December 1, 2000. The principal is payable June 1 of each year, commencing on June 1, 2005.

Following is a summary of debt service requirements on the Certificates' purchase payments:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Fiscal Year Total</u>
2008	85,000	440,137	525,137
2009	90,000	433,125	523,125
2010	100,000	425,700	525,700
2011	110,000	417,450	527,450
2012	115,000	408,375	523,375
2013-2017	745,000	1,881,825	2,626,825
2018-2022	1,100,000	1,519,650	2,619,650
2023-2027	1,640,000	983,813	2,623,813
2028-2030	<u>1,350,000</u>	<u>228,525</u>	<u>1,578,525</u>
Total	<u><u>\$5,335,000</u></u>	<u><u>\$6,738,600</u></u>	<u><u>\$12,073,600</u></u>

There are a number of limitations and restrictions contained in the Installment Purchase Agreement. The Academy is in compliance with all significant limitations and restrictions at June 30, 2007.

**NOTE K – A-133 REQUIREMENT**

The School expended \$153,165 in federal funds for the year ended June 30, 2007, which is less than the \$500,000 threshold required for the School to have an audit performed in accordance with Circular OMB A-133 guidelines. Therefore, the School was not required to have an A-133 audit performed for the year ended June 30, 2007.

**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
(A MICHIGAN PUBLIC SCHOOL ACADEMY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2007  
(Continued)**

**NOTE L – RELATED PARTY TRANSACTIONS**

As previously stated The Board of Directors voted to approve a management agreement with Nataki Talibah Schoolhouse Management Co. (NTS) (A Michigan Non-Profit Corporation), for the management and operation of Nataki Talibah Schoolhouse of Detroit effective April 1, 2004, and shall cover 3.5 academic years ending June 30, 2007. Compensation for these services was 3% of net revenues received by the Academy from the date of execution of the management agreement until June 30, 2005. Thereafter, fees were increased to 8.5% of the net revenues each fiscal year during the term of the agreement. NTS is responsible and accountable to the Board of Directors of Nataki Talibah Schoolhouse of Detroit, for the administration, operation and performance of the academy. For the fiscal year ended June 30, 2007, the total management fees were \$261,254. Also, at June 30, 2007, the Academy has accounts receivable from the management company for \$39,930 and management fees payable for \$47,436.

On June 19, 2007, the Board of Directors for the management company approved the forgiveness of management fees payable by the Academy for \$339,771. The management fees had accrued from the inception of the management agreement through June 30, 2006. This forgiveness has been recorded as contribution income for the year ended June 30, 2007.

**Other Disclosure**

A Management Letter of Comments and Recommendations was issued in a separate letter to the Board of Directors for the year ended June 30, 2007.

**Alan C.  
Young & Associates, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Nataki Talibah Schoolhouse of Detroit

We have audited the financial statements of the governmental activities, major funds, and the aggregate remaining fund information of Nataki Talibah Schoolhouse of Detroit as of and for the year ended June 30, 2007, which collectively comprise Nataki Talibah Schoolhouse of Detroit's basic financial statements and have issued our report thereon dated October 22, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nataki Talibah Schoolhouse of Detroit's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We have identified the deficiencies we consider to be significant deficiencies in a separate correspondence dated October 22, 2007.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. The deficiencies in internal control over financial reporting that we consider to be material weaknesses are reported in a separate correspondence dated October 22, 2007.

**Report on Compliance and on Internal Control Over Financial Reporting  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards  
(Continued)**

Compliance

As part of obtaining reasonable assurance about whether Nataki Talibah Schoolhouse of Detroit's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Alan C. Young, Sr.*

October 22, 2007

## **REQUIRED SUPPLEMENTAL INFORMATION**

**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
(A MICHIGAN PUBLIC SCHOOL ACADEMY)  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Budgeted Amounts</b>			<b>Variance Favorable/ (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenue:</b>				
Local Sources	\$60,150	\$489,927	\$490,518	\$591
State Sources	3,146,332	3,175,787	3,177,084	1,297
Federal Sources	133,194	149,792	89,088	(60,704)
<b>Total Revenue and Other Transactions</b>	<b>3,339,676</b>	<b>3,815,506</b>	<b>3,756,690</b>	<b>(58,816)</b>
<b>Expenditures:</b>				
Instructional	1,271,307	1,365,006	1,500,828	(135,822)
Special Education	60,157	56,808	9,772	47,036
<b>Total Instruction</b>	<b>1,331,464</b>	<b>1,421,814</b>	<b>1,510,600</b>	<b>(88,786)</b>
<b>Support Services:</b>				
Pupil Support	109,827	154,619	85,307	69,312
Improvement of Instruction	185,198	104,439	149,266	(44,827)
Instructional Support - Technology	12,000	42,000	74,701	(32,701)
Board of Education	25,000	30,500	53,461	(22,961)
Executive Administration	339,917	353,334	352,393	941
Office of the Principal	335,333	339,394	253,012	86,382
Fiscal Services	39,780	48,780	72,192	(23,412)
Internal Services	40,000	37,000	38,591	(1,591)
Other Business Services	18,948	6,751	6,649	102
Operation and Maintenance	225,229	396,112	281,032	115,080
Pupil Transportation Services	45,970	47,970	37,259	10,711
<b>Total Support Services</b>	<b>1,377,202</b>	<b>1,560,899</b>	<b>1,403,863</b>	<b>157,036</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>631,010</b>	<b>832,793</b>	<b>842,227</b>	<b>9,434</b>
<b>Other Financing Sources (Uses)</b>				
Outgoing Transfers	(627,463)	(693,679)	(602,770)	90,909
<b>Net Change in Fund Balance</b>	<b>3,547</b>	<b>139,114</b>	<b>239,457</b>	<b>100,343</b>
<b>Fund Balance - July 1, 2006</b>	<b>1,235</b>	<b>1,235</b>	<b>1,235</b>	<b>0</b>
<b>Fund Balance - June 30, 2007</b>	<b>\$4,782</b>	<b>\$140,349</b>	<b>\$240,692</b>	<b>\$100,343</b>

*See accompanying notes to financial statements.*

## **OTHER SUPPLEMENTAL INFORMATION**



**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
OTHER SUPPLEMENTAL INFORMATION  
COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30,2007**

	Special Revenue Funds					
	Athletics	Bookstore	School Lunch	After-School	Capital Projects	Total
<b><u>ASSETS</u></b>						
Cash and Cash Equivalents	\$0	\$0	\$0	\$6,900	\$11,274	\$18,174
Due from Other Funds	0	7,104	32,113	77,911	3,697	120,825
<b>Total Assets</b>	<b>\$0</b>	<b>\$7,104</b>	<b>\$32,113</b>	<b>\$84,811</b>	<b>\$14,971</b>	<b>\$138,999</b>
<b><u>LIABILITIES</u></b>						
Accounts Payable	\$0	\$0	\$32,113	\$2,000	\$0	\$34,113
Due to Other Funds	0	0	0	0	0	0
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>32,113</b>	<b>2,000</b>	<b>0</b>	<b>34,113</b>
<b><u>FUND BALANCES</u></b>						
Unreserved						
Designated for Future Obligations	0	7,104	0	82,811	14,971	104,886
<b>Total Fund Balances</b>	<b>0</b>	<b>7,104</b>	<b>0</b>	<b>82,811</b>	<b>14,971</b>	<b>104,886</b>
	<b>\$0</b>	<b>\$7,104</b>	<b>\$32,113</b>	<b>\$84,811</b>	<b>\$14,971</b>	<b>\$138,999</b>

**NATAKI TALIBAH SCHOOLHOUSE OF DETROIT  
OTHER SUPPLEMENTAL INFORMATION  
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007**

	Special Revenue Funds					
	Athletics	Bookstore	School Lunch	After-School	Capital Projects	Total
<b><u>REVENUE</u></b>						
Local Sources	\$1,630	\$446	\$18,487	\$100,189	\$515	\$121,267
State Sources	0	0	0	0	0	0
Federal Sources	0	0	64,077	0	0	64,077
Incoming Transfers and Other Transactions						
Transfer - from General Fund	1,131	0	50,421	50,320	0	101,872
<b>Total Revenue</b>	<u>2,761</u>	<u>446</u>	<u>132,985</u>	<u>150,509</u>	<u>515</u>	<u>287,216</u>
<b><u>EXPENDITURES</u></b>						
Athletics	2,761	0	0	0	0	2,761
Bookstore	0	0	0	0	0	0
School Lunch	0	0	133,238	0	0	133,238
After-School	0	0	0	158,995	0	158,995
Capital Projects	0	0	0	0	0	0
<b>Total Expenditures</b>	<u>2,761</u>	<u>0</u>	<u>133,238</u>	<u>158,995</u>	<u>0</u>	<u>294,994</u>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	0	446	(253)	(8,486)	515	(7,778)
<b>Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Changes in Fund Balances	0	446	(253)	(8,486)	515	(7,778)
Fund Balances-Beginning of Year	<u>0</u>	<u>6,658</u>	<u>253</u>	<u>91,297</u>	<u>14,456</u>	<u>112,664</u>
<b>Fund Balances- End of Year</b>	<u><u>\$0</u></u>	<u><u>\$7,104</u></u>	<u><u>\$0</u></u>	<u><u>\$82,811</u></u>	<u><u>\$14,971</u></u>	<u><u>\$104,886</u></u>

**Alan C.  
Young & Associates, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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October 22, 2007

To the Board of Directors of  
Nataki Talibah Schoolhouse of Detroit  
Detroit, Michigan

In planning and performing our audit of the financial statements of Nataki Talibah Schoolhouse of Detroit (the Academy) as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

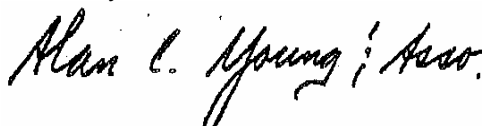
Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in the internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. Exhibit A identifies the deficiencies (items #1-4) that we consider to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe items #1-4, as detailed in Exhibit A to be material weaknesses.

This communication is intended solely for the information and use of board of directors, management, and others within Nataki Talibah Schoolhouse of Detroit and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Alan C. Young & Associates, P.C.  
Certified Public Accountants & Consultants

**1. PAYROLL TRANSACTIONS**

During our examination of the Academy's payroll procedures, we noted inconsistencies in the methodology used by the Academy to record and pay their wages and benefits for the employees provided by the management company. As a result of the inconsistent treatment, adjusting entries were necessary to reconcile the management company receivable and payable accounts as well as the Academy's expense accounts.

We recommend that a specific methodology be implemented and utilized for recording and paying payroll related expenses. The management company should invoice the Academy for the Academy's portion of payroll and benefits. The Academy would then submit payment based on this invoice. This would greatly clarify and simplify the process and should eliminate the problems noted with this process.

**2. ACCOUNTS PAYABLE**

During our examination of accounts payable we noted that there were items and amounts listed that should be adjusted or removed.

We recommend that the accounts payable list at the end of each month be agreed to each invoice in the open invoice file that is maintained. If any differences are noted, an adjustment should be recorded to reflect the correct invoice balance that is outstanding.

**3. GENERAL LEDGER**

During our procedures we noted a number of mispostings within the Academy's general ledger. As a result, a number of adjusting entries were necessary to fairly state a number of account balances.

We recommend that a periodic review of the general ledger be regularly performed by the Academy. Such a review could help identify errors or mispostings on a timely basis. This would help improve the informational value of internally generated financial data and would also improve the efficiency of the audit.

**4. EXPENSES IN EXCESS OF BUDGET**

For the year ended June 30, 2007, the Academy's expenses exceeded the final budgeted level for instructional, improvement of instruction, instructional support, Board of Education, fiscal services and internal services.

We recommend that the Academy improve their efforts to match their budgets with the appropriate areas expenditures will be incurred. In total, the Academy's expenditures were less than the amount budgeted. However, there were several budget overages within the individual line items.